

## Issue Brief – FMAP Rate Change

DEPARTMENT OF HEALTH

DOH-09-13

### SUMMARY

The Federal Medical Assistance Percentages (FMAP) represents the federal share of the programmatic costs for Medicaid. The Medicaid Program utilizes a formula to determine the annual percent of medical assistance for each state. The formula is based on each state's average per capita income level compared to the national average. This year Utah's FMAP rate is going down, which means that there is a higher cost to the State. The Executive Appropriations Committee fully funded the Department's estimated impact of the FMAP rate change at \$3,410,000 ongoing General Fund. No additional funding is needed.

Medicaid is the nation's public health insurance program for low-income people. It was initially created to provide medical assistance to individuals and families receiving cash welfare. Over the years, Congress has incrementally expanded the scope of the program. Today, Medicaid is no longer a welfare program; rather, it is a health and long-term program for a broader population of low-income individuals.

### OBJECTIVE

For FY 2009, Utah's FMAP rate will decrease from 71.26 percent to 70.94 percent based on the state fiscal year. This change will shift \$3,410,000 of federal Medicaid funds to the General Fund.

### DISCUSSION AND ANALYSIS

The FMAP is calculated annually based on the state's per capita income using a rolling three year average. By law the FMAP rate cannot be lower than 50 percent or higher than 83 percent. The FMAP rate for FY 2009 is 70.94 percent which represents a decrease of 0.32 percent from the FY 2008 FMAP rate (Note: the rates are adjusted to reflect the state fiscal year). Because of the size of the Medicaid budget, even a small percentage decrease can have a significant impact. Changes in population or per capita income can cause a fluctuation in the FMAP rate. The chart to the right shows FMAP changes for the past 5 years. As noted by the table, the FMAP rate has gone down (resulting in increased costs to the State) in 3 of the last 5 years.

<u>Year</u>	<u>FMAP</u>	<u>Change</u>
FY 2004	71.60%	
FY 2005	72.04%	0.44%
FY 2006	71.11%	-0.93%
FY 2007	70.30%	-0.81%
FY 2008	71.26%	0.96%
FY 2009	70.94%	-0.32%

### *Base Budget Adjustment*

The net impact of the FMAP rate change on the Department is zero. The General Fund cost of \$3,410,000 has added in the base budget bill by the Executive Appropriations Committee. The Federal Funds have been replaced with ongoing General Fund. The request by the Department was fully funded. No further action is needed.